ALBERTA TREASURY BRANCHES

52ND ANNUAL REPORT 1990

CORPORATE ORGANIZATION

Office of the Superintendent

A.O. Bray
Superintendent
& Chief Operating Officer

B. White
Administrative Assistant

J.L. Briscoe
Executive Manager
Public Affairs

Head Office

E.S. Leahy
Senior Assistant Superintendent
Administration

M.E. Budd
Assistant Superintendent
Administration

J.R. Zook
Executive Assistant
Administration

R.B. Douglas
Senior Assistant Superintendent
Credit

L.L. Trekofski
Assistant Superintendent
Credit

V. Neufeld
Chief Inspector

B. Sadre-hashemi
Assistant Chief Inspector

L.M. Symyrozum
Assistant Chief Inspector

Calgary General Office

W.C. Tough
Senior Assistant Superintendent

W. Peters
Assistant Superintendent

Edmonton General Office

L.R. Bellan
Senior Assistant Superintendent

D.A. Goebel
Assistant Superintendent

General Managers

J.D. Appleyard
Automated Services

E.G. Bateman
Instalment Loans

J.L. Callaghan
Edmonton General Office

L.C. Campbell
Calgary General Office

J.W. Fowle
Administration

A.A. Hartung
Calgary General Office

G.C. Hommy
Edmonton General Office

G.R. Lane
Agriculture

W.N. Martinson
Dom. & International Funding
& Marketing

E.W. Peterson
Calgary Main Branch

T.E. Semeniuk
Edmonton Main Branch

C.W. Warnock
Comptroller

Assistant General Managers and Departmental Heads

D.E. Alfrey
MasterCard

K.A. Annett
Human Resources

M.M. Berger, AGM
Instalment Loans

J.V. Bischoff, AGM
Edmonton General Office

J.P. Buckley
Security

B. Biollo
Instalment Purchase Plan
– Edmonton

T.D. Curry
Instalment Purchase Plan
– Grande Prairie

G.D. Fraser
Instalment Purchase Plan
– Calgary

C.M. Hochhausen, AGM
Edmonton General Office

R.A. Regnitter, AGM
Edmonton General Office

N.W. Schaefer, AGM
Instalment Loans

T.J. Schaeffer, AGM
Calgary General Office

V.K.H. Schalike, AGM
Calgary General Office

J.A. Templeton
Oil & Gas Financing

R.L. Zsombor, AGM
Administration

The Honourable Dick Johnston
Provincial Treasurer
224 Legislature Building
Edmonton, Alberta
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12th Floor
9925 - 109 Street
Edmonton, Alberta
T5K 2J8

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9th Floor, 919 - 11 Ave. S.W.
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Edmonton General Office
9th Floor
9925 - 109 Street
Edmonton, Alberta
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SUPERINTENDENT'S REMARKS

We are pleased to present our 52nd Annual Report covering operations for fiscal year ended March 31, 1990.

Operating Results

Income from all sources reached $842.8 Million, an increase of 19% over the year previous. Interest paid to depositors took up 76% of this revenue, just under five percent was set aside as a provision for credit losses, with operating costs, including depreciation and amortization, accounting for 18%. A profit of $9.1 Million resulted and was applied against our Capital Deficit.

Expanded services and facilities attracted a number of new customers during the year. Deposit and borrowing accounts were opened on an average of 3,000 per month to reach totals in the order of 700,000 and 170,000 respectively. Even with our systems now fully automated this growth strained the capacity of our staff, which over the same period recorded a net increase of less than one percent to reach 3,112 employees. Their ability to respond successfully to this challenge has been a commendable achievement on the part of those men and women who make up our work force.

Deposit Growth

Deposits reached a level of nearly $6.9 Billion at year-end. Due to a slackening in loan demand there was priority this past year in offering investment alternatives rather than the attraction of deposits on a broad base for loaning purposes. Due to the volatility of interest rates, market conditions and the Canadian economy, considerable emphasis was again placed on ensuring the terms and rates under which we reinvested funds were matched with those of deposit liabilities; to provide us with a reasonable profit and for an orderly redemption cycle to function.

While all deposit funds we administer are protected by a Crown Guarantee, we believe it is our continuing responsibility to reinvest depositor and investor funds as prudently as possible, ensuring those who have placed their savings with us absolute safety in addition to a reasonable return on funds entrusted.

Loan Growth

A less than three percent increase in total loans outstanding over this accounting period represents modest growth when compared to previous years. Partly due to a shift in our business strategy, together with greater interest by other lenders in this particular market area, loans to major commercial borrowers recorded a decline for the first time in the current era.

In contrast, due to a more healthy economy and pent up demand, consumer borrowings rose by nine percent. Over 7,200 new residential mortgages were approved during the past twelve months, an increase of 28% over the year previous, for a total exceeding $500 Million in new financing for the housing market, and bringing loans to consumers to a level of over $1.7 Billion.

Agricultural lending recorded better than an eight percent net increase which brought our assistance to this important primary industry to nearly a billion dollars in outstanding loans.

We will be placing particular emphasis over the next several years towards increasing our loan assistance to independent business operations. Presently $435 Million has been lent to nearly 19,000 small and medium sized businesses which, as a whole, contribute very substantially to the Alberta economy.

Our energy lending activities administered through our Oil and Gas Department in Calgary, are not large by industry measurement, but we believe they are significant at the current level of $100 Million in loans mainly to junior oil companies, the backbone of the industry. These operations have been and will continue to be our target market in energy financing.

Quality of Assets Administered

Based on average loans outstanding over the year of $5.6 Billion, the charge made on our Income Statement for possible credit losses was 0.72%. This represents an increase from the year previous when the charge was at 0.71%. Accumulated Loan Loss Provisions (reserves) now total $182.4 Million, which represents 47% of all loans that have been classified Non Accrual. As there is clear indication recoveries will likely exceed additions to our Non Accrual Loan Portfolio during 1990-91, and that loan demand in general will continue to level off, our anticipated charge for possible credit losses is expected to be reduced somewhat for the year ahead.

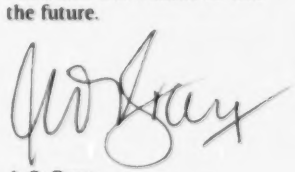
Although continuing high interest rates could affect the ability of some borrowers to maintain loan repayment undertakings, the balance of our loans are currently considered to be of good quality and are operating within credit terms established.

Initiatives

As has been the case with most financial institutions of late, we have had to undertake substantial investments in computerized banking systems. The initial stage of this program was completed during the latter part of 1988 which linked all of our 134 Branches to an on-line system now in operation 24 hours a day. Enhancements are currently being carried out to improve efficiencies and ensure these systems remain "user friendly". A good example of this has been the recent introduction of "Any Time Banking" Service to our customers. Through the use of any touch tone telephone, a number of banking transactions may now be carried out at the convenience of our customers, and at no additional cost to those who have opted for the availability of our "packaged" personalized chequing PASS Account. As more businesses update and improve their own systems, additional bill paying capabilities will be added to the "Any Time Banking" Service; a first in bringing banking to the customer's home, not only here in Alberta but anywhere in Canada on a fully operational basis.

The next major step in our automation program will be to include our 120 Agencies throughout Alberta within the on-line system. Ultimately our objective is to make electronic banking services accessible to all Albertans so that the same availability will exist wherever our familiar blue and white sign appears.

None of the foregoing could have been possible without the cooperation and support of the Government of Alberta, whom we report to through the Provincial Treasurer of Alberta, the Honourable Dick Johnston. The result has seen the Alberta Treasury Branches, through our own initiative, begin to overcome the adversities encountered as a consequence of the economic down turn of the previous decade, without a capital injection or any form of subsidization. Much work remains to be done but, in the meanwhile, we will follow our mandate in continuing to provide banking support for Albertans regardless of prevailing economic conditions. This has been our policy since 1938 and will remain so into the future.



A.O. Bray
Superintendent
& Chief Operating Officer

I R V I N G A L B E R T A N S

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At Alberta Treasury Branches, we believe that good things happen when customers are well treated. We not only strive to provide the best possible service to customers but, in addition, the programs we offer have been designed and tailored to meet their needs as well.

We provide financial services in over 225 Alberta communities, 87 of which have no other financial institutions represented. We are very proud to be the Banker for many thousands of Albertans and would like to introduce just a few of our valued customers from different areas of the province.

It is the pride and determination of people and businesses such as those featured on the following pages that will ensure the continued growth and development of Alberta. Alberta Treasury Branches will continue to play an active role in this regard in the years ahead.

R & S Auto Body Inc.

EDMONTON

Rod Skinner, President of R & S Auto Body Inc.

How do you make a success story out of a one-stop auto collision repair shop? Easy. Just ask President Rod Skinner.

"It was a love for automobiles that led me to become involved. The reason I chose auto body is that I felt this would be the area of greatest potential at the time."

R & S Auto Body was destined to be a success story from the beginning. The concept of one-stop collision repair hadn't been introduced to Edmonton at the time, and it was an opportune moment to capture the market. So not only could the required body work be done, but also there was the assurance that any mechanical, frame and glass repair required would be completed at the same time.

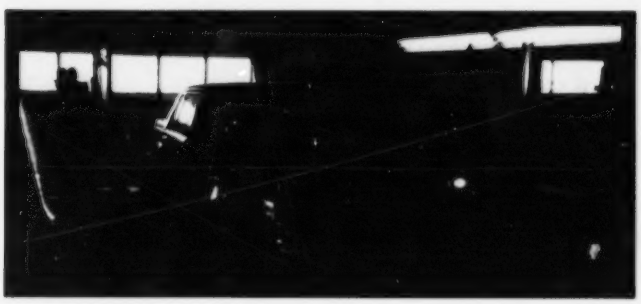
When Rod was planning the present shop in 1969, he was the first to incorporate a heated drive-in estimating bay for added customer comfort.

"With over 33,000 square feet of operating space we are the largest repair shop in Edmonton," stated Rod.

"You know, I have watched this segment of the automobile industry go from a blacksmith type shop to a very high-tech operation, and it takes a lot of commitment to keep up with that sort of industry."

With the ongoing support of Alberta Treasury Branches, Rod continues to upgrade his facility to keep up with technological advancements. "We have recently purchased a high-tech down draft spray booth and a laser measuring system for new uni-body frame repairs, and our newest edition of a computerized estimating program allows us to complete our estimates in a more accurate and professional manner."

Like Alberta Treasury Branches, R & S Auto Body strives to maintain an atmosphere of customer attention and satisfaction. Says Rod, "I look to my banker as a partner and value the interaction that takes place as it relates to my business. I can go to the Branch at any time and if the Manager is not available, there are other staff who are able to answer my questions. They know me when I walk in, and I appreciate that."



Hastie Ranches

THREE HILLS

They farm on some of the best land in Alberta. So how hard was it to make their farming operation successful?

"When we first started," laughs Bruce Hastie, "we had running water – you had to run out and get it!"

In 1959, the Hasties owned two quarters of land and as well as farming, they raised livestock. Today, the Hastie farm has grown into a very successful cattle and grain operation. Bruce runs the farm with his wife, Norma, and two sons, Earl and Dean.

As the land and livestock grew, so did the farm. "In 1978, we built the feedlot and bought five Harvestores," says Norma. "Then in 1984, we added on to increase its capacity to 2,200 head. In 1990, we hope to market 5,000 head."

"We grow wheat, canola, silage and barley, but still purchase quite a lot of barley from the surrounding area. When up to capacity, we use around 1,500 bushels a day."

In 1987, Alberta Treasury Branches helped the Hasties finance their business expansion. By adding on to their existing home, the Hasties enlarged their office space. They then equipped it with a computer, fax machine and photocopier.

Norma runs the office and feels good about their progress. "The computer has made it easier to keep track of all costs and income, particularly on feed and cattle."

"We also use a private band radio system. We have a radio in every piece of equipment. As well, I have a cellular phone in my car. This helps me keep in touch with the operation at all times."

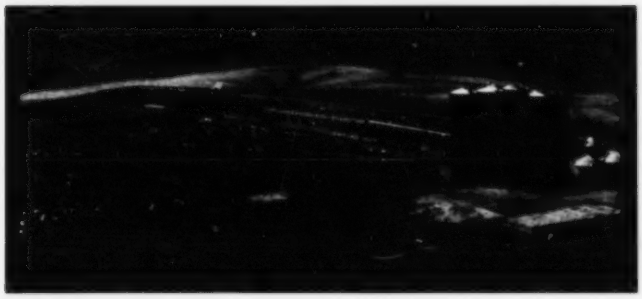
With help from their sons, Bruce has been able to stay active in the community. He has served on Municipal Council for nine years and for four years has been a member of the Cattle Commission. Yet through it all, he still finds time to umpire local baseball and softball.

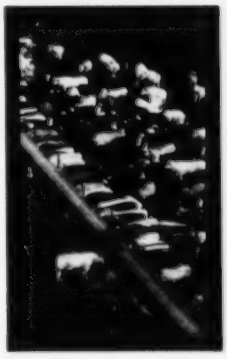
The Hasties know it's important to stay on top of their business, and that's where Alberta Treasury Branches help. Norma values the relationship with their Branch. "We have been dealing with Alberta Treasury Branches for a number of years and have found them easy and pleasant to do business with. From the top of their organization to the bottom, they're always well informed and cooperative."

"It's nice to know they have a good knowledge of the industry, because farming has become a highly complex business."

Bruce Hastie of Hastie Ranches.

Norma Hastie in the Hastie Ranches office.

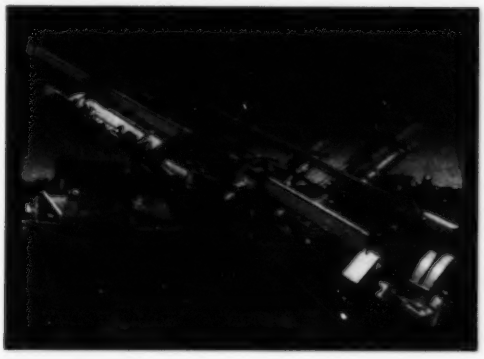


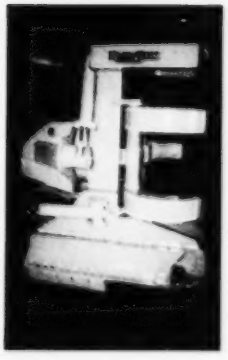


Risley Equipment Ltd.

GRANDE PRAIRIE

Dean, Emily and Reg Isley of Risley Equipment Ltd.





What exactly do you need to cut it and be successful in the forestry industry?

Innovation.

Risley Equipment Ltd. is detailed by unique and advanced equipment for the forest industry.

It all started when Reg Isley left high school to become a welder. His interest was to simply build things from scratch.

In 1966, Reg was one of the partners involved in the formation of a company which operated a welding and machine shop. Reg was instrumental in developing several new pieces of machinery for forestry work. The company was ideally placed to serve the new Proctor and Gamble plant. This, along with producing innovative forestry equipment, soon saw the company grow to 70 employees.

Reg became sole owner of the company in the early '70s and eventually sold the business in 1975. He became active in the business community again in 1977 when he opened a hydraulic and machine shop to serve local needs.

In the late '70s, Canfor approached Reg with a challenge to develop a machine which would be more efficient in cutting down trees. Reg took to the challenge with zeal and after five years of design and building prototypes with three years of testing, the Risley RotoSaw was ready for marketing.

"I remember the first marketing attempts for the RotoSaw. It was like little people dealing against the giants."

However, the quality of the saw and Risley's perseverance has brought world-wide acceptance in a short period of time.

Only four years after receiving its RotoSaw patent, the Risley Group of Companies has grown to employ 200 people in Grande Prairie. Total sales are expected to continue escalating past $25 Million. Reg, Emily and their son Dean are kept extremely busy in the direct operation and marketing of Risley products.

Allen Brandon, Deputy Manager of Grande Prairie Main Branch, was an Accounts Manager in 1981 with Reg and Emily as his clients. "Coming back in 1989, it was nice to find out the Risley Group would be one of my accounts again. It was amazing to see the success of the RotoSaw."

Branch Manager, Gerry Schoettler, confirms, "we are very pleased to be associated with fine people like Reg and Emily Isley. The Risley Group of Companies are a very important part of our Branch."

Triple F Ranches (Czar) Ltd.

CZAR

What kind of success is it that can be framed by a kitchen window?

When you look out Tom and Phyllis Flynn's kitchen window, you can see many of the results of their long, hard work. The most dominant being their large feedlot.

"Several years ago," states Tom, "we hauled cattle to a community pasture in Fort Vermilion. That's a distance of over 1,000 km. However, we now use one a bit closer to home!"

Tom and Phyllis started farming south of Czar in 1956. In the beginning, they farmed four quarters of land with both grain and cattle. As well, Tom and Phyllis had five children of which three are now farming with their parents.

By the late '70s, Tom and Phyllis had expanded their farm to where they were cropping 2,500 acres and also had a 300 head cow/calf herd.

In the early '80s, sons Darcy, Brian and Randy became involved in the farm. A further expansion took place and the Flynns phased out of grain farming altogether and concentrated solely on their cattle operation.

The farm was incorporated as Triple F Ranches (Czar) Ltd. in 1987. Today, the Flynns run a farm operation of over 7,000 acres with a 1,500 head feedlot and a 1,000 head cow/calf herd.

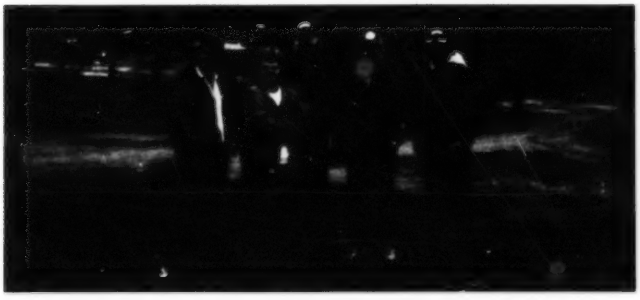
"It takes a lot to be successful in farming today," says Tom. "As in any business, a person needs determination. It takes hard work, extra long hours when necessary and the ability to cope under stress. In farming, you need a lot of financial backing to grow and operate."

"It's also very important to have a mutual understanding, trust and a good working relationship with your banker. Luckily for us, that's exactly what we've had."

The Flynns first started banking with Alberta Treasury Branches over 25 years ago and today maintain their account at the Wainwright Branch.

"We've been more than satisfied with Alberta Treasury Branches over the years," states Tom. "And looking ahead, we expect to have as good a relationship as we have enjoyed in the past."

Tom Flynn of Triple F Ranches (Czar) Ltd.

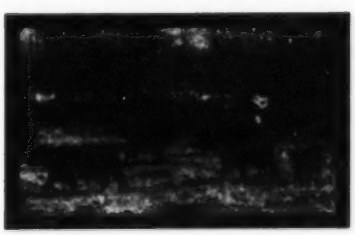


Brian, Phyllis, Tom, Randy and Darcy Flynn of Triple F Ranches (Czar) Ltd.

Alcide & Suzanne Hurtubise

ST. PAUL

Suzanne and Alcide Hurtubise.



What does it take to change three quarters of land into a successful 1,000 acre farm operation?

For Alcide Hurtubise, it takes a lot of hard work and solid support from his family.

Alcide is a third generation farmer who started in the business with his father and brother back in 1960. At that time, the farm was run as a hog, cattle and grain operation.

Alcide took over the farm in 1970 when his father retired and his brother moved away. By then, Alcide and his wife Suzanne lived on the family farm, owned three quarters of land and rented four.

In 1974, they purchased the land they rented and changed the farm operation to cattle and grain only.

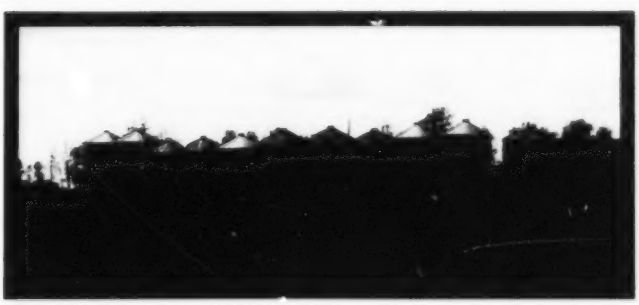
Today, Alcide and Suzanne run a 100 Angus cow/calf herd. Their acreage is seeded half in grain while the other half is hay and pasture.

"I feel by operating a mixed farming operation, it spreads work throughout the year and lets the acreage be utilized to its fullest capacity," says Alcide. "Also, it is more financially feasible because of the alternating price fluctuations of the two markets."

During their years together, Alcide and Suzanne have raised three daughters and one son. "My only regret," remarks Alcide, "is that, for the present, there is no fourth generation farmer in the waiting."

Alcide and Suzanne first began dealing with Alberta Treasury Branches in 1979. "With the help we received," reflects Alcide, "our farming business was made much easier."

"You know," said Alcide, "I wouldn't trade our lot in life with anyone."



Canadian Fracmaster Ltd.

CALGARY

If you're a highway driver, chances are you've crossed paths with a huge yellow and white rig with a bright red "FRACMASTER" emblazoned on its side. It's Canadian Fracmaster.

Ronald Bullen is President and C.E.O. of Fracmaster and has steered its Alberta-based inception in 1976 to its internationally recognized position in 1990.

"Our ongoing mandate," states Ronald, "is to strive to improve technical competence and grow to meet industry needs."

"Our mission is to deliver quality services to the western Canadian oil and gas industry. We operate from 11 field locations. Our head office, manufacturing facility and main laboratory are in Calgary and we employ in excess of 450 staff."

It's a solid operational base that serves well to support international operations as close as Alaska . . . and as far afield as western Siberia. Fracmaster is one of the first western pioneers in the U.S.S.R., resulting from Glasnost and Perestroika.

But back home, it's time to frac. The "frac" or fracturing is the process of enhancing oil and gas production by literally cracking the rock, which holds the oil or gas, to improve flow or yield. To do this, fluid mixed with sand is pumped downhole under high pressure.

Fracmaster's major services also include coil tubing, cementing and rental and sales of downhole production and service tools handled by Toolmaster.

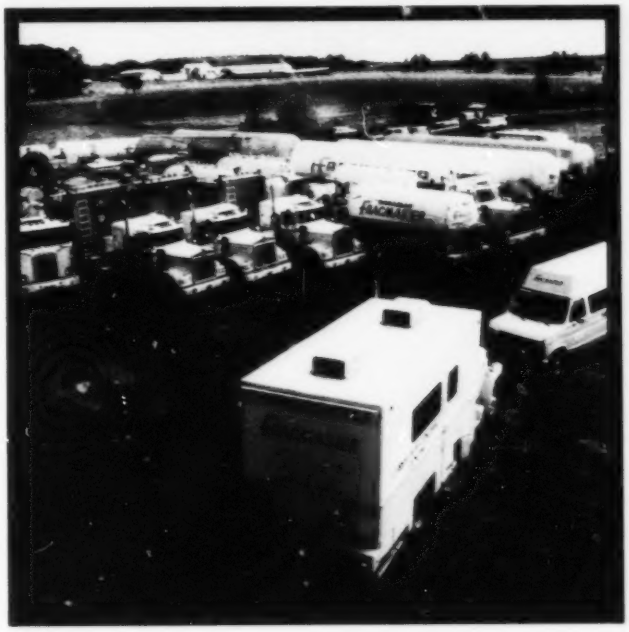
Not a company to sit still, Fracmaster sets its Research and Development team to work on advanced technical and computer technology to enhance their field services.

"We pride ourselves on employee teamwork," claims Ronald. "Our people make the company. Maximizing these resources and continuing to develop new technologies are the key to success in the business arena."

The launch into the '90s was preceded by the start of a business relationship with Alberta Treasury Branches in 1989.

"Alberta Treasury Branches," states Ronald, "has a strong understanding of the oil and gas business."

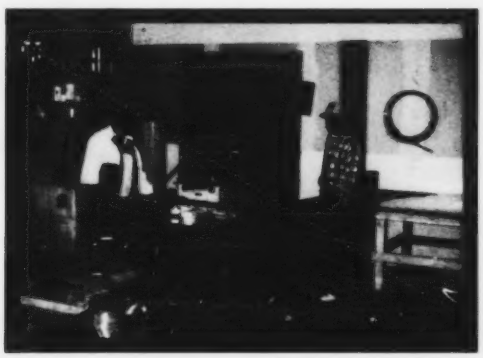
"Together with Alberta Treasury Branches' financial support, Fracmaster is set to tackle the increasing technological demands of the road ahead."



Apex Plumbing & Heating Ltd.

MEDICINE HAT

Jim and Orr Pudwell of Apex Plumbing & Heating Ltd.



Jim Pudwell formed Apex Plumbing & Heating in 1980. Having spent most of his life in the business, he felt there was a place for a small, efficient plumbing and heating company in Medicine Hat.

"When the boom broke," Jim states, "I couldn't find work, so I bought an old truck and worked out of my garage in the backyard. It worked well, but not without an awful lot of hard work."

Today, Apex Plumbing & Heating employs 13 people and specializes in plumbing, gas fitting, hot water heating and air conditioning for commercial, residential and light industrial projects.

Jim manages the company and is the main estimator. Jim's son, Orr, runs the field operations and personally supervises each construction project.

To succeed, Jim says it is all a matter of keeping the company at an appropriate size. "You must be big enough to handle mid-sized commercial projects, but you cannot become so large that your overhead drags you down during the down times of construction. In this business, you must pay close attention to your cost of operation and be sure that the job is being done in an efficient manner."

Jim's keen sense of business and trade smarts have really paid off for him.

Jim reflects on problems he had with his previous bank. "At one time, I was dealing with another financial institution and was having a problem with them. The Manager took me aside and told me I would be more satisfied dealing with Alberta Treasury Branches, and he wasn't wrong."

Jim has been a customer since the formation of Apex Plumbing & Heating in 1980, and he has no regrets. "The management at the Alberta Treasury Branch has been more than patient and very knowledgeable of the cycles in the construction industry," says Jim.

Mountain Pizza & Steak House Ltd.

EDSON

He has a great location, and a mountain-shaped restaurant. What else does it take to be successful?

"The key to being successful in this business," replies owner Emmanuel Kozoleas, "is to provide the very best customer service and to be consistent in the quality of food offered." How can you doubt that?

Emmanuel's story begins when he left Greece in 1961 to attend university in Edmonton and become a Mechanical Engineer. After working for his two brothers in their respective restaurants, Emmanuel decided to enter the business world. He then proceeded to buy shares in his brother Jimmy's restaurant.

"I'm not sure why the Manager of the Alberta Treasury Branch in Drayton Valley agreed to lend me $3,000 to buy shares in the restaurant," Emmanuel muses. "I did not understand what the words "collateral" and "repayment ability" meant and I had no collateral to pledge for the loan. However, the Manager's decision was the right one. I repaid the loan as agreed and started off as a restaurateur."

In 1969, Emmanuel left his brother's store and planned to build a pizza restaurant. He found two partners with experience in the pizza business and requested financing from Alberta Treasury Branches. The restaurant was built in Drayton Valley and became very successful. (Emmanuel also built a restaurant in Whitecourt, but has since sold it.) In 1979, he sold out his interest in the Drayton Valley restaurant and moved to Edson.

Emmanuel again received financial support from Alberta Treasury Branches and built Mountain Pizza & Steak House. It was a success.

As his reputation grew, so did his restaurant. In 1989, he added a second dining room onto the restaurant and completely renovated the kitchen.

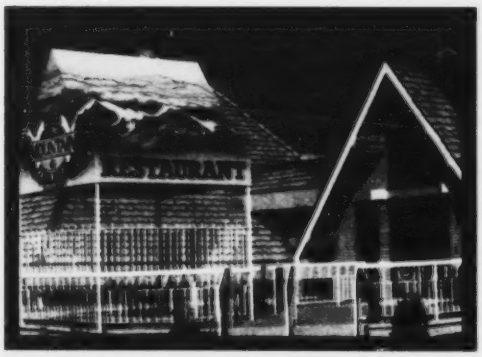
Emmanuel is very proud of his accomplishment. During the last 12 years, he has provided a very consistent and high quality product, and it's what his customers have come to expect.

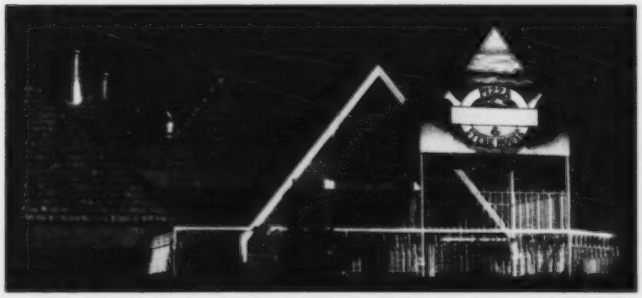
The future looks promising for Mountain Pizza & Steak House. Emmanuel's son, James, works full-time in the restaurant and looks forward to learning the business from his father.

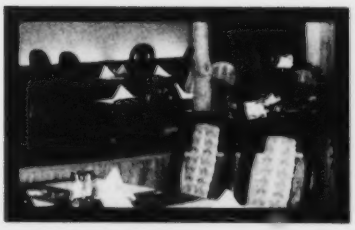
"I've dealt with Alberta Treasury Branches for 28 years," Emmanuel reflects, "and I have always received excellent service. Their rates and terms have been second to none."

"They really are helping Albertans to invest in Alberta."

Emmanuel Kozoleas, founder and owner of Mountain Pizza & Steak House Ltd.







Diamond "S" Produce Ltd.

TABER

Patrick Shimbashi, President of Diamond "S" Produce Ltd.

How did a one man operation grow to be such a "ground roots" success?

Today's operation has an interesting history which started when Zenkiche Shimbashi left his job as a cook for the Prince of Wales' High River Ranch to grow vegetables at Welling.

In 1943, Zenkiche and his family started a farm near Taber and began a large potato and vegetable operation.

In 1963, sons Edward and Patrick incorporated Shimbashi Farms Ltd. and began operating 400 acres. Zenkiche retired and turned over his original 240 acres to his sons.

Diamond "S" Produce Ltd. was formed in 1968 to create a marketing and processing division for Shimbashi Farms Ltd. The brothers created a vertically integrated operation which grew and distributed vegetables to the marketplace.

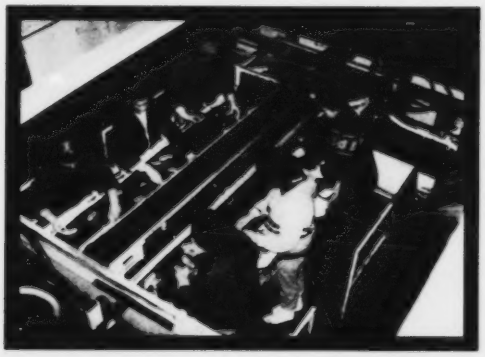
In 1982, the operation split in two. Edward and his son took over the farming operation while Patrick took over the storage, packaging, washing and marketing operation. Edward retired in 1984 and Diamond "S" Produce Ltd. absorbed the Shimbashi Farms Ltd.

By 1989, Diamond "S" Produce Ltd. operated a 7,000 acre farm, a packaging and import brokerage plant in Calgary, a fresh and frozen food processing plant in Brooks and a fresh vegetable packing plant together with their head office in Taber.

Last year the company processed and sold over 15,000 tons of fresh potatoes, 3,000 tons of onions and 2,000 tons of carrots and mixed vegetables. Over 5,000,000 pounds of frozen products were processed and marketed. As well, over 35,000 tons of potatoes were brokered to processing plants in Manitoba.

Diamond "S" Produce Ltd. became an Alberta Treasury Branch customer in 1988.

Today, the producers of the famous "Taber Sweet Corn" are a strong, vibrant and financially viable corporation.



Pederson Bros. and Families

BROOKS

Can you truly measure success by the strength of management? Yes you can. Especially when you're talking about Nels and Eric Pederson.

Nels and Eric emigrated from Denmark with their family in 1957. Nels bought his first farm with wife Yvonne in the spring of 1969 – a farm of 171 acres. In 1971, Eric teamed up with Nels to help run the family operation.

"It has been difficult at times," Yvonne reflects, "but with all our family's efforts and good management, things have worked out pretty well. We wouldn't want to be doing anything else."

Nels and Eric run their business as a mixed farming operation. Along with cattle, they grow a variety of grain. You can find wheat, corn, canola, barley and hay growing throughout their land.

"We really believe in mixed farming," says Yvonne. "That way, if the price drops in one of the grains, the other crops, as well as the cattle, can keep the operation viable."

Today, Nels and Eric farm 939 acres of irrigated land and grassland. Sections of this property were purchased through the support they received from the Alberta Treasury Branch at Brooks.

The Pedersons also rent 440 acres of irrigated land, run a 100 head cow/calf operation and feed 125 head in their feedlot.

Brooks Branch Manager, Wayne Peterson, admires the Pedersons' farming practices and keen sense of management. "This has been proven by them receiving higher than average prices on their cattle. Seeding is completed at an early date and crops have been harvested prior to September rains and frost."

Looking ahead, Nels and Eric see the farm expanding more into a cattle operation. "We don't want to be so dependent on the world grain market which has become increasingly unstable," said Eric.

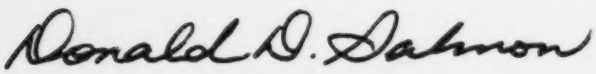
Success really does come about as a result of good management. For the Pedersons, each move is a venture, and Alberta Treasury Branches will always be there to back them up.

Eric and Dianne, Yvonne and Nels Pederson of Pederson Bros. and Families.

To the Provincial Treasurer

I have examined the statement of assets and liabilities of the Treasury Branches Deposits Fund as at March 31, 1990 and the statements of income, equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Edmonton, Alberta
June 12, 1990

F.C.A.
Auditor General

Statement of Assets and Liabilities

Treasury Branches Deposits Fund
As At March 31, 1990
($ in thousands)

Assets		1990	1989
Cash Resources			
	Cash	$ 18,470	$ 20,813
	Deposits with banks	624,037	654,705
	Cheques and other items in transit, net	42,787	46,728
		685,294	722,246
Securities (Note 3)			
	Issued or guaranteed by Canada	71,157	151,743
	Issued or guaranteed by provinces, municipalities and school districts	–	37,502
	Other securities	293,910	214,248
		365,067	403,493
Loans (Note 4)			
	Mortgage loans	1,498,462	1,400,605
	Other loans	4,128,072	4,086,689
		5,626,534	5,487,294
Other			
	Land, buildings and equipment (Note 5)	59,263	62,533
	Other assets (Note 6)	135,671	118,236
		194,934	180,769
		$6,871,829	$6,793,802

The accompanying notes are part of these financial statements.

Liabilities		1990	1989
Deposits (Note 7)			
	Payable on demand	$ 798,998	$ 927,226
	Payable after notice	1,286,346	1,197,363
	Payable on a fixed date	4,776,199	4,692,440
		6,861,543	6,817,029
Other Liabilities (Note 8)		150,505	126,138
Equity (Deficit)		(140,219)	(149,365)
		$6,871,829	$6,793,802

Statement of Income

Treasury Branches Deposits Fund
For the Year Ended March 31, 1990
($ in thousands)

		1990	1989
Interest Income			
	Income from loans	**$680,654**	$591,516
	Income from securities	**45,945**	40,423
	Income from deposits with banks	**84,172**	51,557
	Total interest income	**810,771**	683,496
Interest Expense			
	Interest on deposits	**641,671**	533,037
	Net interest income	**169,100**	150,459
	Provision for credit losses	**40,100**	37,908
	Net interest income after provision for credit losses	**129,000**	112,551
	Other income	**31,996**	23,611
	Net interest and other income	**160,996**	136,162
Non-Interest Expense			
	Salaries	**84,012**	80,098
	Pension contributions and other staff benefits	**10,408**	9,933
	Premises and equipment expenses, including depreciation	**33,298**	29,526
	Other expenses	**24,132**	23,012
	Total non-interest expenses	**151,850**	142,569
	Net Income (Deficit) for the Period	**$ 9,146**	$ (6,407)

Statement of Equity

Treasury Branches Deposits Fund
For the Year Ended March 31, 1990
($ in thousands)

	1990	1989
Equity (Deficit) at beginning of year	$(149,365)	$(142,958)
Net Income (Deficit) for year	9,146	(6,407)
Equity (Deficit) at end of year	$(140,219)	$(149,365)

Statement of Changes in Financial Position

Treasury Branches Deposits Fund
For the Year Ended March 31, 1990
($ in thousands)

		1990	1989
Operating activities:			
	Net income (deficit) for the year	**$ 9,146**	$ (6,407)
	Provision for credit losses	**40,100**	37,908
	Depreciation and amortization	**12,147**	10,193
	Increase in other assets	**(17,435)**	(30,058)
	Increase in other liabilities	**24,367**	13,219
	Funds provided by operating activities	**68,325**	24,855
Financing activities:			
	Net increase (decrease) in deposits payable on demand	**(128,228)**	97,095
	Net increase in deposits payable after notice	**88,983**	337,693
	Net increase in deposits payable on a fixed date	**83,759**	183,423
	Funds provided by financing activities	**44,514**	618,211
	Funds available for investing activities	**$112,839**	$643,066
Investing activities:			
	Net increase (decrease) in cash resources	**(36,952)**	226,023
	Net increase (decrease) in securities	**(38,426)**	78,297
	Net increase in mortgage loans	**97,857**	88,061
	Net increase in other loans	**81,483**	236,540
	Net increase in land, buildings and equipment	**8,877**	14,145
	Funds used in investing activities	**$112,839**	$643,066

Treasury Branches Deposits Fund
March 31, 1990

Note 1 – Authority

The Treasury Branches Deposits Fund operates under the authority of the Treasury Branches Act, Chapter T-7, Revised Statutes of Alberta 1980 as amended.

Note 2 – Significant Accounting Policies

(a) Securities

Securities are carried at the lower of cost or net realizable value (Note 3). Gains and losses on disposal of securities are included in income in the year in which they occur.

(b) Loans

Loans are stated net of any unearned income and an allowance for loan losses established to recognize anticipated losses. Interest is recorded on the accrual basis for all satisfactory loans and accrued interest on loans is reported in other assets in the Statement of Assets and Liabilities.

A loan is classified as non-accrual when, in the opinion of management, there is doubt as to the ultimate collectibility of some portion of principal or interest. A loan where payment of interest is contractually past due 180 days is classified as non-accrual unless management determines there is no reasonable doubt as to the ultimate collectibility of interest or principal. When a loan is classified as non-accrual, all uncollected interest is reversed against interest income of the current year. Interest payments received on a loan subsequent to its classification as non-accrual are not recorded as income until such time as any specific provision has been reversed and it is deemed that the loan principal is no longer at risk.

An allowance for credit losses is maintained in an amount considered adequate to absorb credit losses. Credit losses arise primarily from loans but also from credit instruments such as loan guarantees and letters of credit. The allowance is increased by a provision for credit losses which is charged to income and reduced by write offs net of recoveries.

Provisions on loans are established on an individual loan basis to reduce the book value to estimated realizable values.

The allowance for credit losses is deducted from the related asset category except amounts provided for loan guarantees and letters of credit which are included in other liabilities.

Loan fees are recognized in income over the appropriate lending or commitment period.

(c) Land, Buildings and Equipment

Land is carried at cost. Buildings, equipment and leasehold improvements are carried at cost less accumulated depreciation or amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the related assets. Gains and losses on the disposal of fixed assets are recorded in the Statement of Income in the year of disposal.

(d) Translation of Foreign Currencies

Foreign currency assets and liabilities are translated into Canadian dollars at prevailing year-end rates.

Foreign currency income and expenses are translated into Canadian dollars at the average rate throughout the year.

Realized and unrealized gains and losses on foreign currency transactions are included in other income in the Statement of Income. Foreign exchange positions are hedged as much as practicable by forward exchange contracts.

Treasury Branches Deposits Fund
March 31, 1990

Note 3 – Securities ($ in thousands)

Securities are summarized as follows:

	Securities issued or guaranteed by			
	Canada	Provinces, Municipalities, and School Districts	Other	Total
Year of maturity:				
Within one year	$ 71,157	$ –	$293,829	$364,986
No specific maturity	–	–	81	81
March 31, 1990	$ 71,157	$ –	$293,910	$365,067
March 31, 1989	$151,743	$37,502	$214,248	$403,493

The approximate market value of securities at March 31, 1990 was $365,088 (1989: $403,509).

Note 4 – Loans ($ in thousands)

Loans are stated net of an allowance for credit losses established to recognize anticipated losses, and are summarized as follows:

	1990	1989
Residential mortgages and personal financing	$1,790,054	$1,647,699
Agricultural programs	954,285	880,857
Small business programs	435,170	425,921
Commercial loans and mortgages	1,823,461	1,842,656
Government guaranteed	77,401	73,324
General purpose	288,734	287,373
Foreign currency	5,987	50,456
Renegotiated reduced rate	44,282	43,200
Non-accrual	207,160	235,808
Total Loans	$5,626,534	$5,487,294

Treasury Branches Deposits Fund
March 31, 1990

Note 5 – Land, Buildings and Equipment ($ in thousands)

Land, buildings and equipment are summarized as follows:

	1990			1989
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	$ 9,116	$ –	$ 9,116	$ 7,564
Branch premises	38,255	16,820	21,435	22,083
Equipment	45,151	27,410	17,741	21,725
Staff housing	5,535	3,026	2,509	3,241
Leasehold improvements	15,786	7,490	8,296	7,890
Automobiles	185	19	166	30
	$114,028	$54,765	$59,263	$62,533
March 31, 1989	$108,775	$46,242		

Note 6 – Other Assets ($ in thousands)

Other assets are summarized as follows:

	1990	1989
Accrued interest receivable	$122,919	$112,989
Other items, including accounts receivable and prepaid items	12,752	5,247
	$135,671	$118,236

Note 7 – Deposits ($ in thousands)

The repayment of all deposits, including accrued interest is guaranteed by the Crown in right of Alberta.

Deposits are summarized as follows:

	1990	1989
Deposits by Canada	$ 10,823	$ 5,474
Deposits by Province of Alberta	653,248	649,444
Deposits by Others	6,197,472	6,162,111
	$6,861,543	$6,817,029

Deposits by the Province of Alberta, include deposits for loans made under the Alberta Farm Credit Stability Program and the Alberta Small Business Term Assistance Plan in the amount of $650,460 (1989: $577,849).

Treasury Branches Deposits Fund
March 31, 1990

Note 8 – Other Liabilities ($ in thousands)

Other liabilities are summarized as follows:

	1990	1989
Accrued interest payable	$122,430	$ 95,373
Other items, including accounts payable and accruals	28,075	30,765
	$150,505	$126,138

Note 9 – Leases ($ in thousands)

The Fund has obligations under long-term non-cancellable operating leases for premises. The future minimum lease payments for each of the next five years and thereafter are:

Year ending March 31, 1991	$ 8,963
1992	8,565
1993	7,694
1994	7,038
1995	6,472
1996 and thereafter	28,184
	$66,916

Note 10 – Contingent Liabilities ($ in thousands)

In the normal course of business, the Fund has various outstanding contingent liabilities which include letters of credit, loan guarantees and other contingencies including the Fund's liability for certain items relating to unclaimed deposit balances and remittances which are not included in the Statement of Assets and Liabilities.

Where the Fund's contingent liability is on behalf of a customer to a third party, the Fund has recourse against the customer in the event of a call.

Contingent liabilities are summarized as follows:

	1990	1989
Guarantees	$140,616	$414,034
Letters of Credit	2,180	1,471
Unclaimed Items	2,237	1,962
	$145,033	$417,467

Note 11 – Comparative Figures

The 1989 figures have been reclassified where necessary to conform to 1990 presentation.

Note 12 – Approval of Financial Statements

These financial statements were approved by management.

TREASURY BRANCH AGENCIES

AS AT MAY 31, 1990

AGENCY	AGENT	CONTROLLING BRANCH
Acadia Valley	M.R. Peers	Oyen
Alberta Beach	H. Steiner	Onoway
Alder Flats	F. Seely	Drayton Valley
Alix	M. Stingel	Lacombe
Alliance	L. Miller	Killam
Amisk	M. Horn	Killam
Banff	J.M.P. Dupuis	Calgary Main
Bashaw	E. Rutz	Camrose
Bassano	H. Paton	Brooks
Bawlf	L.C. Piro	Camrose
Beiseker	F. Bell	Airdrie
Benalto	A. Sterling	Red Deer Riverside
Bentley	D.B. Dickau	Lacombe
Berwyn	E. Garrow	Grimshaw
Blackfalds	W. Tutty	Red Deer Riverside
Blairmore	A. Martini	Pincher Creek
Blue Ridge	P. Archer	Mayerthorpe
Bon Accord	E. DeLeeuw	Edmonton Killarney
Bowden	G. Hubschmid	Olds
Bragg Creek	C. McLachlan	Cochrane
Bruce	C.I. Fredericks	Viking
Calmar	B. Dupuis	Leduc
Canmore	Hoeppner Financial Group Inc.	Cochrane
Carbon	V. Reed	Drumheller
Carmangay	L. Teskey	Vulcan
Cereal	T. Olsen	Hanna
Chauvin	B.A. Swanson	Provost
Chipman	P. Tomkow	Lamont
Clive	M. Stingel	Lacombe
Clyde	P. Swan	Westlock
Compeer	P.D. Cowan	Consort
Coutts	E.E. Thiessen	Milk River
Cremona	P. Cummings	Cochrane
Czar	S. Usselman	Provost
Delburne	N. Deuchar	Red Deer Main
Derwent	E. Kisters	Vermilion
Devon	T. Johnson	Leduc
Duchess	C. Lucas	Brooks
Eaglesham	B.C. Lee	Rycroft
Eckville	I. Baxter	Red Deer Riverside
Edberg	G. Lundstrom	Camrose
Edgerton	C.D. Granigan	Wainwright
Elnora	M.S. Tyess	Trochu
Enchant	F. Hanson	Picture Butte
Evansburg	M. Nikolayuk	Wildwood
Faust	M.D. MacIntosh	High Prairie
Fawcett	B.L. Clark	Westlock
Ferintosh	D. Richmond	Camrose
Foremost	F. Ott	Bow Island
Fort Assiniboine	L. Redington	Barrhead
Fort Chipewyan	J. Tuccaro	Fort McMurray
Galahad	V. Sanche	Forestburg
Glendon	R.J. Kastelen	St. Paul
Grande Cache	U. Kapur	Hinton
Halkirk	M. Draganuk	Castor
Hardisty	W.S. Pedlar Agencies Ltd.	Killam
Hay Lakes	W. Berg	Camrose
Heisler	L. Matthiessen	Daysland
Hill Spring	Brooks Alberta Ventures Ltd.	Cardston
Holden	F. Irwin	Ryley
Irma	E. Lewis	Wainwright
Irricana	D. Kelly	Airdrie
Irvine	H.A. Wiedemann	Medicine Hat Main
Islay	G. Roebuck	Vermilion
Kitscoty	J. Mason	Lloydminster
Lake Louise	Union Market Inc.	Calgary Main
Lomond	T. Hollwey	Vulcan
Lougheed	E. Losness	Killam
Mallaig	L. Dechaine	St. Paul
Mannville	L. Kuntz	Vermilion
Marwayne	S. Kneen	Lloydminster
Metiskow	D. Christensen	Provost
Millet	Mullen Insurance Brokers Ltd.	Leduc
Minburn	A. Gray	Vermilion
Mirror	R. Honecker	Lacombe
Morrin	K.R. Dawson	Drumheller
Mundare	D.A. McCarty	Vegreville
Myrnam	E. Sosnowski	Two Hills
Nampa	E. Krall	Peace River
Newbrook	B.A. Dowhan	Boyle
New Norway	J.E. Wells	Camrose
New Sarepta	L. Kellert	Sherwood Park
Nobleford	D.J. Lang	Picture Butte
Paradise Valley	S. Symes	Lloydminster
Peers	W. Burns	Edson
Plamondon	D. Kruk	Lac La Biche
Radway	S. Hamilton	Redwater
Rainbow Lake	Joanne Graham Enterprises Inc.	High Level
Redcliff	K. Oikawa	Medicine Hat Main
Rochester	J. Simmons	Athabasca
Rockyford	M. Gardner	Strathmore
Rolling Hills	D. Schneider	Brooks
Rosemary	J. Parker	Brooks
Sangudo	P.G. Barnes	Mayerthorpe
Sedgewick	Sedgewick Land and Ins. Ltd.	Killam
Sexsmith	P. Hollingworth	Grande Prairie Mall
Standard	B. Gates	Strathmore
Stirling	B. Weatherill	Raymond
Strome	B. Wolbeck	Killam
Swan Hills	369896 Alberta Ltd.	Barrhead
Sylvan Lake	J.M.E. May	Red Deer Riverside
Tangent	T. Laurin	Falher
Thorhild	P. Chomay	Redwater
Tilley	D. Rawleigh	Brooks
Torrington	D. Bauer	Three Hills
Vauxhall	W. Armstrong	Taber
Veteran	R.A. Edwards	Coronation
Vilna	C.E. Dagley	St. Paul
Wabamun	R. Marcinkoski	Stony Plain
Wabasca	C. Gardiner	Slave Lake
Wandering River	J.M. Mercantile Ltd.	Lac La Biche
Wanham	O. Melnyk	Rycroft
Warburg	P. Schnick	Breton
Waskatenau	A. Toews	Smoky Lake
Waterton Park	R. Uibel	Pincher Creek
Wembley	R. Eagar	Grande Prairie Main
Willingdon	J.E. Eliuk	Vegreville
Winfield	E. Magnan	Breton
Worsley	M. Ponath	Fairview
Youngstown	M. Logelin	Hanna

BRANCH LOCATIONS & MANAGEMENT

AS AT MAY 31 1990

Northern Branches	Branches	Management
Supported by Edmonton General Office	Andrew	E. E. Roseberry
	Athabasca	G. E. Vasen
Corporate Banking Officers	Barrhead	R. K. Morrow
	Beaverlodge	K. J. Lengsen
T. K. Herstad	Bonnyville	W. G. Walker
	Boyle	V. M. Frederick
C. P. J. Hollinger	Breton	J. H. O'Farrell
	Bruderheim	L. E. Revskal
C. E. Kennedy	Camrose	R. T. Winter
	Cold Lake	E. F. Brown
J. E. Lanz	Daysland	D. C. Rowland
	Drayton Valley	R. D. Jenkins
C. E. Kennedy	**Edmonton**	
	Main	
P. A. Liber	Deputy	J. W. Hamblin
	Palisades Square	D. L. Mardling
E. J. Oakey	East Edmonton Place	L. J. Leroux
	Manager, Credit	P. J. Spiller
C. J. H. Raymond	Hys Centre	R. H. L. Tufts
	Jasper Place	R. E. Mann
D. M. Sperling	Killarney	B. E. Lewis
	Millwoods	T. V. Flewelling
L. C. West	9888	D. E. Bruns
	118th Avenue	G. L. St.Rafson
R. W. Yaremcio	Pepper Tree	M. F. Ryan
	South	B. M. Kennedy
	Terrace Plaza	J. B. Durrant
	West Edmonton Mall	D. B. Hastings
	Edson	M. L. Michaelis
	Elk Point	M. O. Wilson
	Fairview	L. M. Kinley
	Falher	J. G. LeDrew
	Fort McMurray	G. E. West
	Fort Saskatchewan	D. J. Wiznuik
	Fort Vermilion	H. L. Galbraith
	Grand Centre	D. K. Firkus
	Grande Prairie	
	Main	G. R. Schoettler
	Deputy	A. W. Brandon
	Prairie Mall	S. K. Farrell
	Grimshaw	A. A. Fuller
	High Level	G. L. Goff
	High Prairie	K. B. Nilson
	Hinton	D. R. Killam
	Hythe	E. M. Zapiscoki
	Killam	L. J. Marthaller
	La Crete	E. C. Neufeld
	Lac La Biche	T. A. Berger
	Lamont	R. J. Sawchuk
	Ledue	D. D. Tarrant
	Lloydminster	D. V. Sevcik
	Manning	K. M. Greenhill
	Mayerthorpe	B. E. Attaway
	McLennan	L. L. Leclerc
	Onoway	B. A. Stepaniuk
	Peace River	K. B. Switzer
	Pengka	D. L. Leclaire
	Redwater	S. G. Antos
	Rycroft	G. A. Hoidy
	Ryley	C. S. Russell
	St. Albert	R. S. Boone
	St. Paul	V. Popovic
	Sherwood Park	A. E. Brown
	Slave Lake	W. A. Smith
	Smoky Lake	W. E. Nelson
	Spirit River	R. J. Chambers
	Spruce Grove	B. G. Gilbertson
	Stony Plain	G. C. Hildebrand
	Thorsby	L. G. Anderson
	Tofield	R. P. Landry
	Two Hills	K. A. Buchholz
	Valleyview	D. E. Klingbeil
	Vegreville	M. A. Benson
	Vermilion	K. J. P. Pugh
	Viking	D. M. Morrical
	Wainwright	M. W. Bragg
	Westlock	R. A. Knudslien
	Wetaskiwin	A. W. Hall
	Whitecourt	D. A. MacLennan
	Wildwood	J. S. Shewfelt

Southern Branches	Branches	Management
Supported by Calgary General Office	Airdrie	R. B. Jenkins
	Black Diamond	D. R. Rawleigh
Corporate Banking Officers	Bow Island	B. L. Kosanski
	Brooks	W. D. Peterson
	Calgary	
	Main	
E. R. Beckner	Manager, Credit	L. A. Robbins
	Alberta Hotel	W. M. Siggins
K. R. Black	Brentwood	D. J. E. Keen
	Chinook Centre	D. A. Hoepfer
K. G. Burton	Deputy	J. D. Marcell
	Forest Lawn	L. O. N. Hrebinowski
D. W. Dingwall	Macleod Village	C. Burnham
	North Hill	H. T. Young
M. F. Dombrova	Deputy	G. H. Kruger
	Sunridge	B. D. Moir
C. J. Fisher	17th Avenue SW	E. G. Nelson
	33rd Avenue SW	M. F. Guischer
K. S. Land	9th Avenue SW	D. L. Roberts
	Deputy	R. A. Sutherland
R. G. Matthews	Cardston	G. O. Christensen
	Careline	R. L. Astle
W. Petty	Carstairs	H. Penner
	Castor	W. E. Lebsack
D. H. Shifflett	Claresholm	L. T. Grewer
	Coaldale	L. J. Brown
	Cochrane	E. L. Robertson
	Consort	S. J. Bailey
	Coronation	R. K. Metz
	Crossfield	J. O. Hawrylow
	Didsbury	B. P. Kaupp
	Drumheller	K. R. Gremm
	Forestburg	J. Wong
	Fort Macleod	W. G. Peederly
	Granum	C. L. Bailey
	Hanna	W. J. Kohlman
	Innisfail	C. D. Stewart
	Lacombe	W. D. Yizek
	Lethbridge	
	Main	L. Sonnenberg
	Deputy	W. E. Nemeth
	6th Street	S. D. MacDonald
	Linden	P. W. Stade
	Magrath	D. W. Hellinga
	Medicine Hat	
	Main	G. D. McKee
	Carry Drive	B. J. Sutherland
	Milk River	K. V. Sonscher
	Nanton	J. D. Peck
	Okotoks	M. K. Dalton
	Olds	J. G. Beesh
	Oyen	P. K. Ashley
	Picture Butte	H. D. Small
	Pincher Creek	J. E. Starcheski
	Provost	J. D. Klassen
	Raymond	J. H. Van Dellan
	Red Deer	
	Main	J. L. Ireland
	Deputy	J. R. Gehring-Lesick
	Riversdale	R. E. McNair
	Rimbey	J. F. Wilson
	Rocky Mountain House	J. J. Kalansky
	Stettler	D. D. Robertson
	Strathmore	R. B. Forness
	Sundre	G. R. Woolley
	Taber	M. D. Jessen
	Three Hills	K. A. Lock
	Trochu	R. L. Phillips
	Vulcan	G. W. Henderson